United Nations DP/CCF/IRA/2

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.: General
13 April 2000

Original: English

Annual session 2000
13-23 June 2000, Geneva
Item 12 of the provisional agenda
Country cooperation frameworks and related matters

Second country cooperation framework for the Islamic Republic of Iran (2000-2004)

Contents

		Paragraphs	Page
	Introduction	1–2	2
I.	Development situation from a sustainable human development perspective	3–12	2
II.	Results and lessons of past cooperation	13–25	4
III.	Objectives, programme areas and expected results	26–49	6
	A. Poverty alleviation and sustainable human development	31–35	7
	B. Economic and resource-based management	36–40	8
	C. Governance and increased participation of civil society	41–45	9
	D. Special programme initiatives	46–49	9
IV.	Management arrangements	50–54	10
	A. Execution and implementation modalities	50	10
	B. Monitoring, evaluation and reporting	51	10
	C. Resource mobilization, coordination and partnerships	52–54	11
Annex			
	Resource mobilization target table for Islamic Republic of Iran (2000-2004)		12

00-39049 (E) 120500

Introduction

1. The second country cooperation framework (CCF) sets the priorities for future cooperation between the Government of the Islamic Republic of Iran and UNDP for 2000 to 2004. It outlines the UNDP contribution to national initiatives that promote sustained economic growth and social development. The CCF preparation process was led by the Plan and Budget Organization and the Ministry of Foreign Affairs in consultation with UNDP and other development partners.

2. The third five-year development plan of the Islamic Republic of Iran (2000-2004), the first national human development report (HDR) (1999) and the review of the implementation of the first CCF served as the main references in developing this framework. The areas of focus were chosen in light of their potential catalytic impact on national efforts to achieve sustainable human development (SHD) objectives by enhancing equity, efficiency, participation and empowerment.

I. Development situation from a sustainable human development perspective

3. The first national HDR indicates that between 1988 and 1997, the average level of human poverty fell from 31 to 18 per cent. The population growth rate declined significantly during the decade, dropping from 3.2 per cent in 1986 to about 1.5 per cent in 1996. For the same period, the human development index (HDI) rose from 0.64 to 0.75. From 1988 to 1997, life expectancy increased from 61.6 years to 69.5 years and was accompanied by substantial gains in educational indicators, such as adult literacy, which increased from 57.1 to 74.5 per cent. Furthermore, combined gross enrolment rose from 65 to 75 per cent at all levels of education.

4. Disaggregating HDI by gender reveals that it has improved from 0.45 to 0.58 in the last decade. From 1988 to 1997, gross enrolment for girls of primary school age increased significantly (to 73.3 per cent in 1997) while the female rate of admission to institutes of higher education also saw a proportional increase. The female literacy rate rose from 46.3 to 67.1 per cent while, in the same period, female life expectancy increased from 62.7 years to 70.6 years. The infant mortality rate fell from 63.5 to 30.7 per 1,000 live births.

5. In the social and political sphere, the Government has taken significant participatory measures, especially in recent years. Popular participation has increased significantly. During the 1997 presidential election the voter turnout reached an unprecedented 83.3 per cent; during the February 2000 parliamentary elections, 75 per cent of eligible voters actually voted. The Government has launched new initiatives in the area of governance, emphasizing the rule of law and advocating transparency and accountability for people-centred development. Civil society institutions, including non-governmental organizations (NGOs), are taking a proactive role and becoming more involved in the development process. However, the initiatives by which civil society institutions and NGOs can contribute effectively to national development objectives need further elaboration.

6. During the later phase of the second five-year development plan, the country's economic performance worsened as a result of adverse international and domestic

circumstances. Oil generates 80 per cent of total foreign exchange receipts and 50 per cent of the Government's income. In 1997-1998 low oil prices slowed down the economic growth to 3.8 per cent per annum from 4.5 per cent in the earlier years, and fell short of the 5.4 per cent projected under the plan. The rate of growth for 1999 may be even lower, estimated at 2.5 per cent. A further difficulty stemmed from the fact that the Government's anti-inflationary policies, which had curbed the high inflation rate of the early 1990s, were not sustained; as a result, inflation rose to an estimated 22 per cent in 1999.

7. In 1996 over 51 per cent of the population was under the age of 19. Young people are reaching marriageable age and, even if fertility continues to decline, the number of births will increase in the near future. This will put added pressure on the need to maintain health and educational services, which are heavily subsidized by the Government. Furthermore, with the number of job seekers increasing rapidly, it is estimated that 750,000 new jobs will have to be created each year in order to maintain the unemployment level at 9 per cent.

8. Accelerating rural-urban migration is another social predicament that has serious social and environmental implications. As a result of structural constraints, such as price distortions inherited from the past, small-scale agriculture has increasingly become an unviable means of subsistence. The surplus population and even small farmers are leaving their plots and villages in large numbers to resettle in urban centres. Large cities, such as Tehran, have become overcrowded and heavily polluted and are no longer able to render many basic social services.

9. Although men and women enjoy similar access to health care and education, considerable income disparities have led to lower human development for women. In 1997, female participation in the formal economy was only 14.3 per cent. More significantly, their share of income is even lower proportionally than their share of employment. Initiatives to expand women's employment are therefore needed.

10. Another important challenge ahead is to address the wide disparities in human development among provinces. The level of poverty varies widely between provinces and lower-income groups are becoming increasingly vulnerable as a result of stagnant remuneration levels in the face of the increased cost of living. These issues of disparity and marginalization demand more focused policy interventions.

11. The country is potentially rich in natural and renewable resources. As in the second five-year development plan, the Government has made environmental issues a priority of the third development plan, and is committed to several international environmental conventions, which pursue global benefits in this area. While the Government has taken some measures to overcome environmental problems, the country is still beset by desertification, ozone-layer depletion, air and water pollution, soil erosion, deforestation, loss of biodiversity and underutilization of renewable resources. These issues need more attention and support through international resources.

12. These challenges are addressed in the third five-year development plan in a comprehensive manner by interlinking the economic, social and cultural aspects of development.

II. Results and lessons of past cooperation

13. The review of the performance of the first CCF highlighted areas of success and pointed out important challenges for the present CCF (2000-2004), as noted in the following paragraphs.

14. The first CCF was structured around two broad thematic areas: (a) economic adjustment and the improvement of social policies for sustainable development (four programmes) and (b) protection of the environment for sustainable development (five programmes), an area that is in line with global environmental benefits and supported by multilateral sources of financing. At the same time, the second five-year development plan accorded high priority to social and economic development.

15. To support national poverty alleviation activities, an umbrella programme was to be prepared with other United Nations organizations to focus on the development of appropriate SHD methodologies to improve social safety nets, employment generation and food security. The umbrella programme was linked to legislation submitted to Parliament but later rejected, mainly because of its inadequate development approach. The programme therefore needed some revision in its approach and has still not been implemented. A project (financed from regional sources) to support the formulation of a poverty-alleviation strategy was stalled and unsuccessful as a result of changes in national project management and insufficient coordination between UNDP and successive national project directors (NPDs).

16. The first CCF emphasized governance, specifically in the area of economic reform and social development. The relevant outputs in this important area related mainly to the Public Management Improvement Programme (PMIP) and the National Human Development Report (NHDR). Other projects in governance, such as those for TRAINAIR, the transfer of knowledge through expatriate nationals (TOKTEN) and Y2K problems had only a limited integrated strategy for enhancing national management, delivery and monitoring capabilities, as foreseen in the overall objectives. However, as they dealt with specific technical shortcomings, considered a hindrance for progress in the productive sector, they were found to be useful.

17. Activities under the PMIP aimed to strengthen the Plan and Budget Organization by laying the basis for dynamic macro planning and management, supported by appropriate budgetary and information systems. The objectives and outcomes of the PMIP were well defined. The strategies identified under the project, however, were not strictly followed as a result of inadequate benchmarking. Despite the shortcomings, almost all PMIP activities were completed satisfactorily, except for the budgeting project, which did not become operational until recently.

18. The other major project in the area of governance was the preparation and publication of the first NHDR in 1999. The CCF review team specifically praised the high calibre of the NHDR. As an excellent example of inter-institutional cooperation in the Government and United Nations collaboration in the country, the review team concluded that the publication of the NHDR was an important step towards SHD. It was recommended that the NHDR findings be applied in identifying the strategy and thematic areas of the new CCF.

19. The trade-reform programme under the CCF helped the Government to address the constraints and factors impeding export diversification. Functioning in two

different domains, the programme made a policy-level contribution by identifying and enhancing the potential for non-oil exports, and was instrumental in modernizing and computerizing of customs operations in the country. While calling for improved coordination to avoid overlapping, and greater result orientation, the CCF review considered the performance of the trade reform projects reasonably satisfactory.

20. The Islamic Republic of Iran is one of the most disaster-prone countries in the world. UNDP supported the Government's programme for disaster preparedness, management and capacity-building through two projects both of which achieved their objectives, as noted in the CCF review. It also suggested that future support in this critical area will depend on the ability of UNDP to generate additional multilateral funds in this way, core funds could focus strictly on poverty alleviation and governance. The mine action project in the western part of the country did not progress as planned owing to differing views in work planning.

21. For the environmental protection programme, the CCF included projects both at policy and field levels to support the restructuring of the Department of the Environment, introduce environment impact assessments as part of the Government's approval mechanism for large-scale investments, formulate a national strategy for development and sustainable environment, and implement a land and water programme. The CCF review considered the projects for environmental protection relevant although the degree of programme delivery and results varied for each project.

22. The land and water programme, particularly with regard to watershed management, addressed key SHD and gender considerations. It had an integrated approach and gained the active support of grass-roots and local organizations. The CFF review recommended that the project be mainstreamed with poverty alleviation in the future to increase its impact. The CCF review team felt that the Environment Impact Assessment (EIA) project was also justified. However, full implementation of the project EIA was delayed as a result of changes in project management. Another environmental project initiated in 1993 and carried over to the first CCF was supported by the global Capacity 21 Fund, for which a number of sectoral reports were prepared. The High Environmental Council likewise endorsed a national environmental strategy.

23. Additional CCF activities included special projects funded entirely through government cost-sharing (for example, TOKTEN and the Open University) and non-core resources, such as the Montreal Protocol and the Global Environmental Facility (GEF), aimed at enhancing global benefits and international environmental conventions and agendas.

24. Since national execution will continue to be an important implementation modality, reaching a mutual understanding between UNDP and the Government is crucial. Both UNDP and national counterpart staff will require training to ensure that they are conversant with these rules and regulations. Conducting tailor-made workshops at regular intervals to address key implementation issues and to familiarize both UNDP and national project staff with national execution can only serve to enhance programme quality, delivery and effectiveness.

25. In the previous CCF period, joint Government/UNDP review, monitoring and evaluation exercises both at the programme and project levels, were not carried out

consistently to ensure full and timely implementation in compliance with CCF objectives and strategies. Greater attention must be paid to these aspects in the future. Duplication, overlapping, limited programme approach and inadequate resource mobilization also affected CCF implementation, owing in part to the absence of a common country assessment (CCA) and a United Nations Development Assistance Framework (UNDAF), and to the dearth of information on the activities of different United Nations organizations and development partners. The CCF review observed several interrelated management and coordination issues that had an impact on CCF performance. In light of these considerations and based on a proposal by the Plan and Budget Organization, the CCF review team recommended the approval of a Memorandum of Understanding on future cooperation arrangements between UNDP and the Government.

III. Objectives, programme areas and expected results

26. The Government has requested that UNDP support its third five-year development plan through the SHD framework, which provides an integrated socio-economic approach to development planning. The CCF objective is to support the country's overall development goal of achieving economic growth with social development.

27. To meet this objective, the plan targets an average real growth rate of 6 per cent for the period 2000-2004, containing the unemployment rate at 9 per cent and stabilizing inflation at 15.9 per cent. It will pursue these objectives using a general strategy to increase competitive market capacity while providing more equitable distribution of gains. Doing so requires the use of structural adjustment policies to improve market efficiency and reduce price distortions and greater macroeconomic stabilization for overall financial and inflationary balance. Expanded employment opportunities and better social safety nets, thanks to targeted coverage and subsidy restructuring, will help to achieve high-quality growth and effective labour-market improvements. Alleviation of monopolistic structures, decentralized decision-making modalities, investment security initiatives and privatization will provide the institutional complementarity to these strategies. Promoting social justice and civil society, overcoming regional disparities and alleviating poverty are also part of the initiatives laid out in the plan.

28. The CCF will support a subset of these objectives, including improved socio-economic policies for better access to health, education and income, greater operational efficiency necessary for sustained economic growth with optimal use of resources, and decentralization to promote participation and empowerment.

29. The strategies proposed to accomplish these objectives will be (a) poverty alleviation and sustainable human development, (b) economic and resource-based management and (c) governance and increased participation of civil society.

30. In addition to policy-level cooperation between UNDP and the Government, pilot initiatives will be undertaken to demonstrate the appropriateness of policy recommendations, methodologies and techniques. To stay focused, only a limited number of projects will receive core funding. Some flexibility, however, will be necessary to capitalize on programme opportunities and to respond to the Government's urgent needs.

A. Poverty alleviation and sustainable human development

31. The centrepiece of the poverty alleviation and SHD programme area is the enlargement of human capabilities in an equitable manner to meet social concerns and disparities. The major focus is support of human development and job creation aimed at achieving balanced and equitable income, health and education for both women and men.

1. Poverty alleviation strategy initiative

32. This strategy will result in a better policy framework for pro-poor development programming and resource allocation, which will lead to a further reduction of poverty thanks to better social safety nets and targeted subsidy restructuring. Adopting measures to reduce human poverty and improve human capabilities in the poorest provinces will be important in achieving regional equity. Additional efforts will be made to reduce regional disparities through pilot programmes in the poorest provinces. Gender equity, particularly in terms of income and education, will be an important part of this effort.

2. Human development support initiative

33. Efforts will be made to instil the concept of SHD into national development planning and civil society initiatives. The Plan and Budget Organization and independent researchers and academics will cooperate to establish the Human Development Centre, which acting as a policy research institute and think-tank, will ensure the production and publication of NHDRs and organize development conferences and workshops. It will ensure focus and synergy for human development efforts and provide a forum for knowledge networking. NHDR findings will act as policy inputs for national development planning and civil society initiatives for human development.

3. Job-creation initiative

34. The job-creation initiative accords special attention to women and youth, particularly in rural areas. UNDP/Government cooperation will support the development of national policies that aim to secure an adequate level of employment and income for women and youth while improving their skills, thereby preventing rural-urban migration. Success requires identifying the socio-economic obstacles to the employment of women and youth and proposing appropriate policy measures.

35. The expected outcomes are: (a) improvement of the socio-economic policy framework for pro-poor development programming and resource allocation that will further reduce poverty; (b) wider access of the poor to resources and services which in turn will boost social development and promote human capabilities; (c) enhanced synergy and knowledge networking to achieve national development objectives; and (d) better and greater employment and income opportunities for both men and women.

B. Economic and resource-based management

36. The overall focus of this programme area is to increase efficiency, which in turn will support the transition to a market economy and achieve the growth rates envisaged in the third five-year development plan. This is also expected to lead to higher levels of employment and productivity, a diversified productive base, better foreign exchange earnings, environmental conservation and efficient utilization of natural and economic resources. The following initiatives will help to achieve these goals.

1. Improvement of economic management

37. This initiative supports economic policy-making in the move towards a competitive economy as outlined in the third development plan and on the basis of achievements by the Public Management Improvement Programme during the first CCF. Building on the findings of PMIP studies, support will be provided to public-sector economic reform in order to promote efficient macroeconomic management, increase employment and improve the national budgetary process and financial management structure. Linking macroeconomic, budgeting and national statistical information systems will enhance economic planning. A further initiative will promote the quality of education and research in economics and management, particularly through conferences, workshops and links with reputed international institutions.

2. Trade reform and promotion of non-oil exports

38. Government/UNDP cooperation in promoting non-oil exports and in reforming trade practices will continue as part of the United Nations general support of initiatives to strengthen the national economy. To facilitate trade, national-customs procedures and cargo systems are being upgraded and computerized and the intellectual property system is being modernized. The successful completion of these projects will bring greater policy focus and capacity-building for non-oil exports and the non-oil sector in general. To further diversify the economy and generate foreign exchange earnings, national strategies and master plans for tourism will be formulated.

3. Resource-based management and environmental conservation

39. The aim of this initiative is to assist the Government in institutionalizing the optimal use of its resources and conservation practices and link them with other programmes to achieve improved planning modalities for sustainable development. Efforts will focus on the interlinkages between natural and economic resource bases and national planning, emphasizing the interaction of the population-poverty nexus with efficient and sustainable use of natural resources, especially in rural areas. Experience gained during the first CCF through the land and water programme and related initiatives will be integrated into the national planning process. Bilateral and multilateral resources, including those of the GEF and the Montreal Protocol, will support national programmes in their effort to address environmental global benefits such as combating desertification, protecting the ozone layer, preserving soil and water, saving forests and rangelands, sustaining biodiversity, and promoting the efficient use of renewable and non-renewable resources. Initiatives in the context of Capacity 21 and the GEF Small Grants Programme will also be pursued.

40. The expected outcomes are: (a) expanded institutional capacity for better development planning and enhanced economic efficiency for more sustainable economic growth, (b) a more flexible enabling environment for a diversified economy and greater foreign exchange earnings, (c) better efficiency and sustainability in the utilization and conservation of resource bases, and (d) improved environmental conservation.

C. Governance and increased participation of civil society

41. This programme area focuses on participation and empowerment as part of democratic, decentralized decision-making processes and community-empowerment concepts and criteria. The aim is to facilitate participatory mechanisms in decision-making processes and to improve the enabling environment for civil society to contribute to national development objectives. These goals will be achieved through different programme initiatives, including the following.

1. Human rights initiative

42. The human rights initiative will continue its human rights project to establish post-graduate degree programmes in human rights at Tehran University. In addition, a new programme to establish an information centre on women's rights will be undertaken.

2. Transparency and accountability initiative

43. This initiative will enhance public services delivery by promoting accountability and transparency. To this end, it will help to reduce and prevent corruption, a major obstacle to development. Enhancing accountability and transparency within the public sector necessitates a more elaborate understanding of the relevant issues. The general public, in turn, will have greater access to information on government functions and services.

3. Governance institutions and NGOs initiative

44. The goal is human resource capacity-building for the staff of research centres of the *Majlis* (Parliament) and local councils to provide better information about the SHD concept and international treaties and conventions. Work will also be undertaken to improve the enabling environment for NGOs to contribute to accomplishing national development objectives. This includes legal framework and capacity-building.

45. The expected outcomes are: (a) expanded knowledge of human rights; (b) enhanced efficiency in administrative processes and provision of services; and (c) a more conducive environment for NGOs to work towards national development objectives.

D. Special programme initiatives

46. The following initiatives support and reinforce the main focus areas of the CCF.

1. Regional programmes

47. Regional initiatives will be used to reinforce country programme activities. The value-added of the regional programmes in piloting new modalities, networking and pursuing intercountry cooperation will be fully utilized. Support will be provided to the Tehran-based Economic Cooperation Organization to strengthen its internal structure and operational capabilities. The Caspian Environment Programme, in which the country is a major regional partner, will continue to receive UNDP priority attention.

2. Disaster prevention and mitigation

48. The Islamic Republic of Iran is one of the most disaster-prone countries in the world. Upon the request of the Government, as in the past, UNDP will be involved in disaster prevention and mitigation so that the country can benefit from international experience and funding. Support will be provided to create a national disaster-preparedness and -mitigation plan and to strengthen the country's readiness to respond effectively to disasters. UNDP, as the lead agency of the United Nations Disaster Management Team, will work closely with the Government and the international community to support the appeal process to secure a timely response. In addition, UNDP will support the efforts in mine action at the request of the Government.

3. TOKTEN, UNISTAR and TCDC

49. The use of the TOKTEN mechanism will be further strengthened, particularly in training, research and the transfer of technology. Efforts will be made to consider the use of the United Nations Short-Term Advisors Resources (UNISTAR) modality. Technical cooperation among developing countries (TCDC) and regional cooperation will be given special consideration. The necessary measures to ensure the sustainability of programmes and projects in this area will come through training and capacity-building of national personnel.

IV. Management arrangements

A. Execution and implementation modalities

50. National execution will continue to be the standard practice. However, efforts will be made to clarify national execution guidelines for UNDP and their application in the national context, particularly with regard to financial rules and regulations. UNDP will further sensitize national partners on the use of the modality. National execution capacity will be assessed and measures will be taken to address existing gaps. UNDP Headquarters and the country office network will work to ensure the effectiveness of existing UNDP local capacity to support NEX.

B. Monitoring, evaluation and reporting

51. The CCF will be subject to close, regular monitoring, review and assessment as a whole and for programmes/projects in each thematic area, to ensure the desired impact and sustainability. A steering committee chaired by the Plan and Budget

Organization, including representatives from the Ministry of Foreign Affairs and UNDP will be established to oversee the implementation of the CCF.

C. Resource mobilization, coordination and partnerships

52. To enhance coordination, a Memorandum of Understanding detailing the responsibilities of the concerned parties will be finalized and concluded. Systematic coordination between all development partners will be ensured both for information exchange and to correlate activities and joint financing. Poverty eradication and job-creation initiatives will receive better special attention.

53. The limited core resources of UNDP will serve as a catalyst but successful implementation of the CCF will depend largely on the mobilization of non-core resources, both bilateral and multilateral. While the previous CCF mobilized a limited amount of third-party resources, the current CCF envisages a significant increase in the mobilization of such resources, with UNDP playing a substantive role in this regard.

54. UNDP will actively support the resident coordinator system and participate in the preparation of the CCA and UNDAF. In full coordination with the Government, UNDP will work closely with development partners, including the United Nations Development Group (UNDG), United Nations organizations (including those which do not have a representative office in the country), multilateral, bilateral and national partners. UNDP will work through joint-programme initiatives whenever possible and will strive to coordinate activities to avoid overlap and ensure synergy and impact.

Resource mobilization target table for the Islamic Republic of Iran (2000-2004)

Source	*Amount (In thousands of United States dollars)*	*Comments*
UNDP regular resources		
Estimated carry-over into 2000	1 331	Includes AOS.
TRAC 1.1.1	1 303	Assigned immediately to country.
TRAC 1.1.2 0 to 66.7 per cent of TRAC 1.1.1		This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would be subject to availability of resources.
TRAC 1.1.3	160	
Other resources		
SPPD/STS	342	
Subtotal	**3 136**[a]	
UNDP other resources		
Government cost-sharing	54 748	
Sustainable development funds	43 680	
of which:		
Capacity 21	60	
GEF	22 000	
Montreal Protocol	21 620	
Third-party cost-sharing	500	
Subtotal	**98 928**	
Grand total	**102 064**[a]	

[a] Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: GEF = Global Environment Facility; SPPD = Support for Policy and Programme Development; STS = Support for Technical Services; TRAC = Target for Resource Assignment from the Core.